

ANNUAL REPORT CHECKLIST

FISCAL YEAR ENDED:

12 / 31 / 13

PROVIDER(S): San Francisco Ladies' Protection & Relief Society

RECEIVED
MAY 05 2014

CCRC(S): The Heritage or Heritage on the Marina

CONTINUING CARE
CONTRACTS BRANCH

CONTACT PERSON: Joseph Conroy, Controller

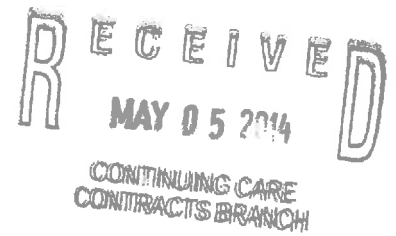
TELEPHONE NO.: (415) 202-0300

EMAIL: jconroy@heritagesf.org

A complete annual report must consist of 3 copies of all of the following:

- ☒ Annual Report Checklist.
- ☒ Annual Provider Fee in the amount of: \$ 8,186.00
 - ☐ If applicable, late fee in the amount of: \$ _____
- ☒ Certification by the provider's **Chief Executive Officer** that:
 - ☒ The reports are correct to the best of his/her knowledge.
 - ☒ Each continuing care contract form in use or offered to new residents has been approved by the Department.
 - ☒ The provider is maintaining the required *liquid* reserves and, when applicable, the required refund reserve.
- ☒ Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- ☒ Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- ☒ Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- ☒ Provider's "Continuing Care Retirement Community Disclosure Statement" and Form 7-1 "Report on CCRC Monthly Service Fees" for **each** community.
- ☒ Provider's Refund Reserve Calculation(s) – Form 9-1 and/or Form 9-2, if applicable.

The Key Indicators Report is required to be submitted within 30 days of the due date of the submission of the annual report, but may be submitted at the same time as the annual report.



April 30, 2014

California Department of Social Services
Continuing Contracts Branch
744 P Street MS 10-90
Sacramento, CA 95814

To Whom It May Concern:

The enclosed Annual Report and any amendments thereto are correct to the best of my knowledge.

The continuing care contract form in use for new residents has been approved by the Department of Social Services.

The Heritage maintains the required liquid reserve amount to meet operating expenses.

Respectfully,

A handwritten signature in black ink, appearing to be 'Ken D. Donnelly', written over a horizontal line.

Ken D. Donnelly
Chief Executive Officer



284959

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

7/11/2013

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Commercial Lines - 707-769-2900 Wells Fargo Insurance Services USA, Inc. - CA Lic#: 0D08408 1039 A N. McDowell Blvd Petaluma, CA 94954	CONTACT NAME:	
	PHONE (A/C No. Ext):	FAX (A/C No.):
INSURED The Heritage 3400 Laguna Street San Francisco CA 94123	E-MAIL ADDRESS:	
	INSURER(S) AFFORDING COVERAGE	
	INSURER A: Hartford Fire Insurance Company	NAIC # 19682
	INSURER B:	
	INSURER C:	
	INSURER D:	
INSURER E:		
INSURER F:		

COVERAGES**CERTIFICATE NUMBER:** 6344126**REVISION NUMBER:** See below

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	GENERAL LIABILITY						EACH OCCURRENCE \$
	<input type="checkbox"/> COMMERCIAL GENERAL LIABILITY						DAMAGE TO RENTED PREMISES (Ea occurrence) \$
	<input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR						MED EXP (Any one person) \$
							PERSONAL & ADV INJURY \$
							GENERAL AGGREGATE \$
	GEN'L AGGREGATE LIMIT APPLIES PER:						PRODUCTS - COMP/OP AGG \$
	<input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC						\$
	AUTOMOBILE LIABILITY						COMBINED SINGLE LIMIT (Ea accident) \$
	<input type="checkbox"/> ANY AUTO						BODILY INJURY (Per person) \$
	<input type="checkbox"/> ALL OWNED AUTOS	<input type="checkbox"/> SCHEDULED AUTOS					BODILY INJURY (Per accident) \$
	<input type="checkbox"/> HIRED AUTOS	<input type="checkbox"/> NON-OWNED AUTOS					PROPERTY DAMAGE (Per accident) \$
							\$
	UMBRELLA LIAB	<input type="checkbox"/> OCCUR					EACH OCCURRENCE \$
	EXCESS LIAB	<input type="checkbox"/> CLAIMS-MADE					AGGREGATE \$
	<input type="checkbox"/> DED <input type="checkbox"/> RETENTION \$						\$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY						<input type="checkbox"/> WC STATU-TORY LIMITS <input type="checkbox"/> OTH-ER
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)	<input type="checkbox"/> Y <input type="checkbox"/> N	N/A				E.L. EACH ACCIDENT \$
	If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. DISEASE - EA EMPLOYEE \$
A	Employee Dishonesty			57UUMUO4825	07/10/2013	07/10/2014	E.L. DISEASE - POLICY LIMIT \$
							\$250,000 \$2,500 Ded

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

Evidence of Coverage

CERTIFICATE HOLDER**CANCELLATION**

Evidence of Coverage

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

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San Francisco Ladies' Protection and Relief Society

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

December 31, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

Board of Directors
San Francisco Ladies' Protection and Relief Society

We have audited the accompanying financial statements of San Francisco Ladies' Protection and Relief Society (dba The Heritage or Heritage on the Marina) (the Society), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Francisco Ladies' Protection and Relief Society as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Operating Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

DZH Phillips LLP

San Francisco, California
March 21, 2014

San Francisco Ladies' Protection and Relief Society

STATEMENTS OF FINANCIAL POSITION

December 31, 2013 and 2012

	ASSETS	
	2013	2012
Cash	\$ 297,475	\$ 321,208
Accounts receivable		
Public nutrition program	71,111	62,900
Residents	65,696	9,154
Prepaid expenses	183,494	181,894
Investments	75,591,713	67,529,640
Real estate investments - net	-	2,010,114
Property and equipment - net	8,711,451	4,647,660
Other assets		
Custodian funds	3,481	2,831
Other	2,524	2,524
Total other assets	6,005	5,355
Total assets	<u>\$ 84,926,945</u>	<u>\$ 74,767,925</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 616,322	\$ 406,669
Accrued salaries and other expenses	457,244	439,613
Custodian funds	1,177	1,600
Unamortized entrance fees - net	3,476,042	3,995,181
Total liabilities	4,550,785	4,843,063
Net assets		
Unrestricted	79,710,261	69,242,827
Temporarily restricted	165,899	182,035
Permanently restricted	500,000	500,000
Total net assets	<u>80,376,160</u>	<u>69,924,862</u>
Total liabilities and net assets	<u>\$ 84,926,945</u>	<u>\$ 74,767,925</u>

The accompanying notes are an integral part of these financial statements.

San Francisco Ladies' Protection and Relief Society

STATEMENTS OF ACTIVITIES

Years ended December 31, 2013 and 2012

	2013	2012
Changes in unrestricted net assets:		
Operating revenue:		
Resident monthly fees	\$ 3,009,336	\$ 2,928,575
Entrance fee amortization	894,139	663,069
Private patient fees	1,376,554	1,188,269
Public nutrition program revenue	837,371	811,634
Guest charges	41,959	37,402
Other income	35,250	35,420
Total operating revenue	6,194,609	5,664,369
Operating expenses:		
Resident services	8,508,529	7,851,715
Public nutrition program	880,148	901,262
Depreciation	522,951	468,028
Total operating expenses	9,911,628	9,221,005
Loss from operations	(3,717,019)	(3,556,636)
Other income (expense) - net:		
Dividends and interest	2,765,316	2,526,827
Net gain on investments	11,581,970	5,101,339
Investment management fee	(322,866)	(330,027)
Expenses related to real estate investment	-	(38,181)
Donations and bequests	49,149	61,990
Other	49,283	43,509
Total other income (expense) - net	14,122,852	7,365,457
Net assets released from restrictions	71,602	95,464
Change in unrestricted net assets	10,477,435	3,904,285
Changes in temporarily restricted net assets:		
Donations and bequests	68,100	91,861
Dividends and interest	11,404	11,288
Net gain on investments	30,367	54,373
Investment management fee	(64,406)	(2,671)
Net assets released from restrictions	(71,602)	(95,464)
Change in temporarily restricted net assets	(26,137)	59,387
Change in net assets	10,451,298	3,963,672
Total net assets - beginning of year	69,924,862	65,961,190
Total net assets - end of year	\$ 80,376,160	\$ 69,924,862

The accompanying notes are an integral part of these financial statements.

San Francisco Ladies' Protection and Relief Society

STATEMENTS OF CASH FLOWS

Years ended December 31, 2013 and 2012

	2013	2012
Cash flows provided by (used in) operating activities:		
Resident fees	\$ 2,952,794	\$ 2,928,600
Proceeds from new entrance fees - net of refunds	375,000	719,762
Private patient fees	1,376,554	1,188,269
Public nutrition program - net	(50,988)	(74,959)
Donations and bequests	117,249	153,851
Interest and dividend income	2,113,791	833,984
Expenses for real estate investment	-	(38,181)
Other cash receipts	126,492	116,331
Cash paid for salaries and related expense	(6,455,677)	(5,985,461)
Cash paid to suppliers	(2,215,513)	(2,122,104)
Net cash used in operating activities	(1,660,298)	(2,279,908)
Cash flows provided by (used in) investing activities:		
Purchases of investment securities	(16,056,995)	(12,125,937)
Proceeds from sales of investment securities	20,270,188	15,313,487
Additions to property and equipment	(2,576,628)	(924,887)
Net cash provided by investing activities	1,636,565	2,262,663
Net decrease in cash	(23,733)	(17,245)
Cash - beginning of year	321,208	338,453
Cash - end of year	\$ 297,475	\$ 321,208

The accompanying notes are an integral part of these financial statements.

San Francisco Ladies' Protection and Relief Society

STATEMENTS OF CASH FLOWS (continued)

Years ended December 31, 2013 and 2012

Reconciliation of change in net assets to net cash used in operating activities:

	<u>2013</u>	<u>2012</u>
Cash flows provided by (used in) operating activities:		
Change in net assets	\$ 10,451,298	\$ 3,963,672
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	522,951	468,028
Entrance fee amortization	(894,139)	(663,069)
Realized and unrealized net gains on investments	(11,612,337)	(5,155,712)
Interest and dividends reinvested - net of fees	(662,929)	(1,704,131)
Changes in operating assets and liabilities:		
Accounts receivable	(64,753)	14,694
Prepaid expenses	(1,600)	3,618
Accounts payable and accrued expenses	226,211	73,230
Proceeds from new entrance fees - net of refunds	<u>375,000</u>	<u>719,762</u>
Net cash used in operating activities	<u>\$ (1,660,298)</u>	<u>\$ (2,279,908)</u>

The accompanying notes are an integral part of these financial statements.

San Francisco Ladies' Protection and Relief Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

San Francisco Ladies' Protection and Relief Society (dba The Heritage) (the Society), which was formed in 1853, is a nonprofit California corporation. The Society owns and operates The Heritage in San Francisco, California, a continuing care retirement community. On September 1, 2013, the Society filed for a new fictitious business name (dba Heritage on the Marina) and is currently in the process of updating all relevant corporate documents and records as well as notifying agencies where the dba name appears.

Basis of accounting

The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Net assets and changes therein are classified as follows:

- *Unrestricted net assets* - Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations and earnings from permanently restricted net assets of the Society that will be met by actions of the Society and/or the passage of time.
- *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that are to be maintained in perpetuity by the Society. The Society's endowment fund is a permanently restricted net asset.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Endowment fund

The Society has a \$500,000 endowment fund for the Out and About program for the residents. This fund's corpus is classified as permanently restricted. Earnings from the fund are used for the program costs.

San Francisco Ladies' Protection and Relief Society
NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2013 and 2012

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Endowment fund (continued)

The Society is subject to the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) governing endowments. The Society has interpreted this law as requiring the preservation of the fair value of the original gift as of the date of the gift. Accordingly, the Society classified the original value of the gift as permanently restricted.

Earnings from the donor restricted endowment fund are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed under the law.

In accordance with UPMIFA, the Society has adopted investment and spending policies for the endowment assets in order to preserve and enhance the value of the corpus in perpetuity, provide a relatively steady stream of earnings, and to balance the current and future funding needs of the Out and About Program.

The Society targets a diversified asset allocation that places a greater emphasis on equity-based investments and fixed income mutual funds to achieve its long-term return objectives, with prudent risk constraints. To satisfy its long-term rate of return objective, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield (interest and dividends). The endowment assets are co-mingled with other marketable investment securities of the Society and are invested in a manner that is intended to earn an average annual real rate of return (after inflation and program spending) of 3% per year.

The Society's annual spending rate from the endowment is determined annually at no more than half the rolling average rate-of-return over a period of not less than three years, or half of the average rate of return since inception if less than three years, calculated quarterly.

Investments

Investments in equity securities, fixed income mutual funds with readily determinable fair values are carried at fair value based on quoted prices in active markets. Other investments, consisting of international business trusts, which invest primarily in publicly traded equity securities, are valued at fair value using the Net Asset Value per Share (NAVS).

Realized and unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities as a gain or loss on investments. Realized gains and losses are computed using the first-in, first-out method.

San Francisco Ladies' Protection and Relief Society
NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2013 and 2012

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Entrance fees

The Society has agreements with a majority of the residents whereby the Society provides lifetime care and lodging for the residents in exchange for a one-time fee paid upon entrance plus adjustable monthly care fees thereafter.

Entrance fees are recognized as revenue on a straight-line basis over the expected remaining life of the residents as recomputed actuarially at the end of each year. Any unamortized entrance fees at the time of a residents' death are immediately recognized as revenue. For the years ended December 31, 2013 and 2012, amounts recognized as revenue amounted to \$361,660 and \$106,406, respectively.

The resident agreement provides for the right to a full refund upon termination for up to 90 days from the date of the agreement. Thereafter, a proportionate refund is provided to the resident upon termination for a period of approximately 67 months from the date of the agreement. The maximum amount of potential refund obligations under existing agreements at December 31, 2013 and 2012 amounted to \$1,990,770 and \$1,852,400, respectively.

Statutory reserve requirements and obligation to provide future services

The Society is required to meet certain annual reserve requirements required by the California Department of Social Services to help assure adequate resources are available to provide for the lifetime welfare of the residents. At December 31, 2013 and 2012, the Society was in compliance with such requirements.

The Society is also required to record a liability recognizing an obligation to provide future services and the use of facilities to all current residents if the Society is not in actuarial balance. Actuarial balance occurs when the present value of future net cash out-flows, adjusted for certain non-cash items, is less than or equal to the present value of future net cash in-flows. The Society makes this calculation on an annual basis and was in actuarial balance for the years ended December 31, 2013 and 2012. The discount rate used in the calculations for the years ended December 31, 2013 and 2012 was 4%.

The Society is required to have an actuarial study done every five years. The latest study, dated December 31, 2009, indicated that the Society was in actuarial balance, assuming that future investment returns are sufficient to fund operating deficits.

San Francisco Ladies' Protection and Relief Society
NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2013 and 2012

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Income taxes

The Society is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code, Section 23701d (or other states and code sections, as relevant). Accordingly, it has not provided for income taxes in these financial statements.

Effective February 2004, the Society became an exempt private operating foundation as defined in Section 4940(d)(2) of the Internal Revenue Code. Accordingly, the Society is exempt from the 2% excise tax imposed on the net investment income of exempt private foundations. Certain other income and support tests must be met each year in order to remain exempt and management believes the Society continues to meet these tests as of December 31, 2013 and 2012.

Each year, management considers whether the Society has engaged in any activities that could affect the Society's income tax status or result in taxable income. Management believes that any positions the Society has taken are supported by substantial authority and would more likely than not be sustained upon examination by the applicable taxing authority. Accordingly there are no potential tax liabilities to be recorded or disclosed in the financial statements. Tax returns for years subsequent to December 31, 2009 are subject to examination by federal and state tax authorities.

Use of estimates

Management of the Society has made estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities, and the reporting of revenue and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

The Society amortizes entrance fees over the estimated remaining lives of the residents using actuarial tables based on current age and gender. The actual remaining lives will likely differ from the actuarial tables and the difference may be significant.

Subsequent events

Management has evaluated events and transactions for potential recognition or disclosure through March 21, 2014, which represents the date the financial statements were available to be issued. Management has determined that there were no subsequent events requiring recognition or disclosure in the financial statements.

San Francisco Ladies' Protection and Relief Society
NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2013 and 2012

NOTE B - UNAMORTIZED ENTRANCE FEES

Unamortized entrance fees had the following activity for the years ended December 31, 2013 and 2012:

	2013	2012
Balance - beginning of year	\$ 3,995,181	\$ 3,938,488
New entrance fees	375,000	875,000
	4,370,181	4,813,488
Less: refunds paid	-	155,238
Less: amortization included in operating revenue	894,139	663,069
Balance - end of year	<u>\$ 3,476,042</u>	<u>\$ 3,995,181</u>

NOTE C - REAL ESTATE INVESTMENTS

Investments held in real estate at December 31, 2013 and 2012 consist of the following:

	2013	2012
Land	\$ -	\$ 633,276
Buildings	-	1,290,338
	-	1,923,614
Less: accumulated depreciation	-	(195,019)
	-	1,728,595
Projects in progress	-	281,519
	<u>\$ -</u>	<u>\$ 2,010,114</u>

San Francisco Ladies' Protection and Relief Society
NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2013 and 2012

NOTE E - INVESTMENTS

Cost and market values of investments as of December 31, 2013 and 2012 are as follows:

	Cost	Market value	Unrealized gain (loss)
<u>December 31, 2013</u>			
Equity securities:			
Financial	\$ 5,692,989	\$ 7,246,140	\$ 1,553,151
Consumer growth	4,305,413	5,847,932	1,542,519
Consumer cyclicals	2,932,040	4,222,087	1,290,047
Technology	3,548,520	4,854,824	1,306,304
Energy	2,867,718	3,355,954	488,236
Other	4,549,920	5,986,544	1,436,624
Total equity securities	<u>23,896,600</u>	<u>31,513,481</u>	<u>7,616,881</u>
Fixed income mutual fund:			
Bernstein international duration institutional portfolio	19,372,923	19,316,920	(56,003)
International business trusts:			
Bernstein global style blend series	23,116,150	16,619,310	(6,496,840)
International value	3,197,364	7,737,137	4,539,773
Total international business trusts	<u>26,313,514</u>	<u>24,356,447</u>	<u>(1,957,067)</u>
Cash held for investment	404,865	404,865	-
	<u>\$ 69,987,902</u>	<u>\$ 75,591,713</u>	<u>\$ 5,603,811</u>
<u>December 31, 2012</u>			
Equity securities:			
Financial	\$ 5,035,775	\$ 5,296,886	\$ 261,111
Consumer growth	4,769,267	5,397,366	628,099
Consumer cyclicals	2,197,324	2,595,024	397,700
Technology	3,789,201	3,833,499	44,298
Energy	2,091,805	2,445,243	353,438
Other	5,957,454	7,015,535	1,058,081
Total equity securities	<u>23,840,826</u>	<u>26,583,553</u>	<u>2,742,727</u>
Fixed income mutual fund:			
Bernstein international duration institutional portfolio	18,760,240	19,781,017	1,020,777
International business trusts:			
Bernstein global style blend series	16,466,612	13,935,192	(2,531,420)
International value	5,493,004	6,067,513	574,509
Total international business trusts	<u>21,959,616</u>	<u>20,002,705</u>	<u>(1,956,911)</u>
Cash held for investment	1,162,365	1,162,365	-
	<u>\$ 65,723,047</u>	<u>\$ 67,529,640</u>	<u>\$ 1,806,593</u>

San Francisco Ladies' Protection and Relief Society
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2013 and 2012

NOTE F - RESTRICTED NET ASSETS (continued)

Endowment fund

Changes in endowment net assets for the years ended December 31, 2013 and 2012 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - December 31, 2011	\$ 50,244	\$ 500,000	\$ 550,244
Investment return:			
Interest & dividends	11,288	-	11,288
Net gain on investment - net of investment management fees	51,702	-	51,702
Total investment return	62,990	-	62,990
Appropriated for expenditure	(24,478)	-	(24,478)
Endowment net assets - December 31, 2012	88,756	500,000	588,756
Investment return:			
Interest & dividends	11,404	-	11,404
Net loss on investment - net of investment management fees	(34,039)	-	(34,039)
Total investment loss	(22,635)	-	(22,635)
Appropriated for expenditure	(4,912)	-	(4,912)
Endowment net assets - December 31, 2013	\$ 61,209	\$ 500,000	\$ 561,209

San Francisco Ladies' Protection and Relief Society

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2013 and 2012

NOTE G - RETIREMENT PLAN

401(k) Plan

The Society has a 401(k) plan which is available to eligible employees, twenty-one years and older, generally after 90 days of employment. The Society makes non-elective Safe Harbor contributions to the Plan of 4% of eligible compensation after one year of service. Employees who were participants in a terminated defined benefit plan receive additional contributions according to an age-weighted schedule and must meet certain requirements (as defined) for the age-weighted portion of their benefit. On August 29, 2013, the Plan was amended, to eliminate the provision for additional age-weighted contributions for employees who were participants in a terminated defined benefit plan, effective January 1, 2014.

The Society's contributions to the 401(k) Plan for the years ended December 31, 2013 and 2012 amounted to \$216,342 and \$204,144, respectively.

NOTE H - OTHER DISCLOSURES

In accordance with the requirements of the California Department of Social Services, the Society is required to disclose all amounts accumulated for contingencies or accumulated or expended for identified projects or purposes. At December 31, 2013, the Society has not accumulated any funds for contingencies. As discussed in Note C to the financial statements, the Society had set aside approximately \$1.6 million as of December 31, 2012 to fund renovations to real property which were completed during the year ended December 31, 2013 for approximately \$1.9 million.

SUPPLEMENTAL INFORMATION

San Francisco Ladies' Protection and Relief Society

SCHEDULES OF OPERATING EXPENSES

Years ended December 31, 2013 and 2012

	2013	2012
Food Service:		
Salaries and wages	\$ 812,641	\$ 720,724
Employee benefits	281,820	264,243
House supplies	30,089	26,383
Repairs and maintenance	67,174	35,544
Food purchases	414,435	374,454
Contract maintenance	14,821	13,912
Management fees	44,109	43,747
Miscellaneous	19,843	2,570
Allocation of expenses to Health Center	(421,233)	(368,514)
	<u>1,263,699</u>	<u>1,113,063</u>
Housekeeping and Maintenance of Building and Grounds:		
Salaries and wages	484,946	475,745
Employee benefits	200,920	192,524
Household supplies	35,924	33,871
Repairs and maintenance of furnishings	19,123	27,916
Buildings and equipment repairs and maintenance	79,318	53,032
Contract maintenance	75,641	82,279
Security	114,177	116,446
Miscellaneous	6,444	8,256
	<u>1,016,493</u>	<u>990,069</u>
Health Center:		
Salaries and wages	2,293,017	2,179,167
Employee benefits	669,957	645,368
General supplies	50,373	40,303
Drugs and medical supplies	44,892	46,980
Repairs and maintenance	34,141	21,878
Medical services	39,107	29,999
Miscellaneous services and licenses	43,642	41,719
Telephone	2,686	2,821
Expenses allocated from other departments:		
Food Service	421,233	368,514
General and Administrative	564,349	489,669
	<u>4,163,397</u>	<u>3,866,418</u>
Residents' Outside Medical Fees	<u>22,233</u>	<u>56,703</u>

San Francisco Ladies' Protection and Relief Society

SCHEDULES OF OPERATING EXPENSES (continued)

Years ended December 31, 2013 and 2012

	2013	2012
Activities:		
Salaries and wages	215,147	201,580
Employee benefits	82,018	72,944
Program activities	104,338	122,648
	<u>401,503</u>	<u>397,172</u>
General and Administrative:		
Salaries and wages	853,871	811,973
Employee benefits	206,295	182,801
Office supplies	21,396	20,878
Contract maintenance	7,405	7,337
Accounting fees	44,200	43,000
Legal fees	39,105	32,040
Consulting fees	32,023	8,566
Telephone	24,733	18,087
Travel and conferences	28,333	18,807
Dues and other professional fees	84,448	87,500
Utilities	367,955	316,038
Insurance	132,991	119,251
Transportation	44,064	18,996
Planning and development	145,726	113,877
Miscellaneous	173,008	118,808
Allocation of expenses to Health Center	(564,349)	(489,669)
	<u>1,641,204</u>	<u>1,428,290</u>
Total operating expenses - Resident Services	<u><u>\$ 8,508,529</u></u>	<u><u>\$ 7,851,715</u></u>
Public Nutrition Program:		
Salaries and wages	\$ 265,497	\$ 250,508
Employee benefits	107,179	107,408
Telephone	898	678
Food purchases	452,641	489,237
Miscellaneous	53,933	53,431
Total operating expenses - Public Nutrition Program	<u><u>\$ 880,148</u></u>	<u><u>\$ 901,262</u></u>

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CONTINUING CARE
CONTRACTS BRANCH

San Francisco Ladies' Protection and Relief Society

CONTINUING CARE RESERVE REPORT AND
INDEPENDENT AUDITORS' REPORT

December 31, 2013

INDEPENDENT AUDITORS' REPORT

Board of Directors
San Francisco Ladies' Protection and Relief Society

Report on the Continuing Care Reserve Report

We have audited the accompanying continuing care reserve report (the "Report") of San Francisco Ladies' Protection and Relief Society (dba The Heritage or Heritage on the Marina) (the "Society"), as of December 31, 2013. The accompanying Report was prepared for the purpose of complying with California Health and Safety Code Section 1792 and is not intended to be a complete presentation of the Society's financial statements.

Management's Responsibility for the Report

Management is responsible for the preparation and fair presentation of the Report in accordance with the report preparation provisions of California Health and Safety Code Section 1792; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Report that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Report based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Report. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society's preparation and fair presentation of the Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

INDEPENDENT AUDITORS' REPORT (continued)

Opinion

In our opinion, the Report presents fairly, in all material respects, the liquid reserve requirements of the Society as of December 31, 2013 in conformity with the report preparation provisions of California Health and Safety Code Section 1792.

This report is intended solely for the information and use of the board of directors and management of the Society and for filing with the California Department of Social Services and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

DZH Phillips LLP

San Francisco, California
April 29, 2014

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	90
[2]	Number at end of fiscal year	87
[3]	Total Lines 1 and 2	177
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	88.5
All Residents		
[6]	Number at beginning of fiscal year	101
[7]	Number at end of fiscal year	102
[8]	Total Lines 6 and 7	203
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	101.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.87

FORM 1-2
ANNUAL PROVIDER FEE

Line		TOTAL
[1]	Total Operating Expenses	\$9,911,628
[a]	Depreciation	\$522,951
[b]	Debt Service (Interest Only)	\$0
[2]	Subtotal (add Line 1a and 1b)	\$522,951
[3]	Subtract Line 2 from Line 1 and enter result.	\$9,388,677
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	87%
[5]	Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)	\$8,186,186
		x .001
[6]	Total Amount Due (multiply Line 5 by .001)	\$8,186

PROVIDER: San Francisco Ladies' Protection and Relief Society

COMMUNITY: The Heritage or Heritage on the Marina

FORM 5-1
LONG-TERM DEBT INCURRED
IN A PRIOR FISCAL YEAR
(Including Balloon Debt)

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1					\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:					\$0

*(Transfer this amount to
Form 5-3, Line 1)*

NOTE: For column (b), do not include voluntary payments made to pay down principal.

PROVIDER: San Francisco Ladies' Protection and Relief Society

FORM 5-2
LONG-TERM DEBT INCURRED
DURING FISCAL YEAR
(Including Balloon Debt)

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1					\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:		\$0	\$0	0	\$0

(Transfer this amount to Form 5-3, Line 2)

NOTE: For column (b), do not include voluntary payments made to pay down principal.

PROVIDER: San Francisco Ladies' Protection and Relief Society

FORM 5-3
CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT

Line	TOTAL
1 Total from Form 5-1 bottom of Column (e)	\$0
2 Total from Form 5-2 bottom of Column (e)	\$0
3 Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	
4 TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$0

PROVIDER: San Francisco Ladies' Protection and Relief Society

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		\$9,911,628
2	Deductions:		
a.	Interest paid on long-term debt (see instructions)		
b.	Credit enhancement premiums paid for long-term debt (see instructions)		
c.	Depreciation	\$522,951	
d.	Amortization		
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$2,289,673	
f.	Extraordinary expenses approved by the Department		
3	Total Deductions		\$2,812,624
4	Net Operating Expenses		\$7,099,004
5	Divide Line 4 by 365 and enter the result.		\$19,449
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		\$1,458,699

PROVIDER: San Francisco Ladies' Protection and Relief Society

COMMUNITY: The Heritage or Heritage on the Marina

San Francisco Ladies' Protection and Relief Society
CONTINUING CARE RESERVE REPORT (continued)
Year ended December 31, 2013

	<u>Per statement of cash flows</u>	<u>Amount included in Line 2e</u>
Private health center patient fees	<u>\$ 1,376,554</u>	<u>\$ 1,376,554</u>
Community services (Public Nutrition Program)		
Public nutrition program revenue	\$ 837,371	\$ 837,371
Public nutrition program costs	(880,148)	-
Change in accounts receivable - public nutrition program	<u>(8,211)</u>	<u>(8,211)</u>
	<u>\$ (50,988)</u>	<u>\$ 829,160</u>
Other cash receipts		
Processing fees	\$ 6,750	\$ 6,750
Community fee (assisted living)	11,000	11,000
Transportation	2,820	2,820
Guest charges (meals, room and parking)	41,959	41,959
Medical support services	21,430	21,430
Other receipts	<u>42,533</u>	<u>-</u>
	<u>\$ 126,492</u>	<u>\$ 83,959</u>
Total - Line 2e		<u>\$ 2,289,673</u>

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: San Francisco Ladies' Protection and Relief Society
Fiscal Year Ended: December 31, 2013

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended December 31, 2013 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year 2013 are as follows:

	<u>Amount</u>
[1] Debt Service Reserve Amount	\$0
[2] Operating Expense Reserve Amount	\$1,458,699
[3] Total Liquid Reserve Amount:	\$1,458,699

Qualifying assets sufficient to fulfill the above requirements are held as follows:

<u>Qualifying Asset Description</u>	<u>Amount</u> (market value at end of quarter)	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents		\$702,340
[5] Investment Securities		\$0
[6] Equity Securities		\$75,186,848
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve		(not applicable)
[10] Other:		
(describe qualifying asset)		
Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	\$0 [12]	\$75,889,188
Reserve Obligation Amount: [13]	\$0 [14]	\$1,458,699
Surplus/(Deficiency): [15]	\$0 [16]	\$74,430,489

Signature:

[Signature]
(Authorized Representative)

Controller
(Title)

Date:

5-29-2014

San Francisco Ladies' Protection and Relief Society
CONTINUING CARE RESERVE REPORT (continued)
Year ended December 31, 2013

FORM 5-5: ANNUAL RESERVE CERTIFICATION

The Society maintains the following reserves as of December 31, 2013:

Operating reserves	\$ 1,458,699
Funds restricted by donors	<u>665,899</u>
	<u>\$ 2,124,598</u>

PER CAPITA COST OF OPERATIONS

During December 31, 2013, the per capita cost of operations is as follows:

Operating expenses	\$ 9,911,628
Mean number of CCRC residents	<u>88.5</u>
Per capita cost of operations	<u>\$ 111,996</u>

San Francisco Ladies' Protection and Relief Society

FORM 5-5 DESCRIPTION OF RESERVES UNDER SB 1212

Year ended December 31, 2013

Total qualifying assets as filed:

Cash and cash equivalents	\$ 702,340
Equity securities *	<u>75,186,848</u>
Total qualifying assets as filed	<u>75,889,188</u>

Reservations and designations:

Reserve obligation amount	1,458,699
Temporarily and permanently restricted	<u>665,899</u>
	<u>2,124,598</u>
Remaining liquid reserves	<u>\$ 73,764,590</u>

* Equity securities include:

Equity securities	\$ 31,513,481
Fixed income mutual funds	19,316,920
International business trusts	<u>24,356,447</u>
	<u>\$ 75,186,848</u>

San Francisco Ladies' Protection and Relief Society

FORM 5-5 FUNDS EXPENDED FOR PROJECTS UNDER AB 1169

Year ended December 31, 2013

During the year ended December 31, 2013, the Society expended \$2,576,628 for capital projects as follows:

Furniture and fixtures	\$ 74,414
Land and building and improvements	2,487,342
Projects in progress	<u>14,872</u>
	<u>\$ 2,576,628</u>

During the year ended December 31, 2013, investment assets of approximately \$1.9 million were used to fund renovation costs for future residences for the elderly. Investment income was used to fund the operating deficit.

**Continuing Care Retirement Community
Disclosure Statement
General Information**

RECEIVED
Date Prepared: May 05 2014

FACILITY NAME: The Heritage or Heritage on the Marina
 ADDRESS: 3400 Laguna Street, San Francisco, CA ZIP CODE: 94123 PHONE: (415) 202-6306
 PROVIDER NAME: San Francisco Ladies' Protection & Relief Society FACILITY OPERATOR: San Francisco Ladies' Protection & Relief Society
 RELATED FACILITIES: None RELIGIOUS AFFILIATION: None
 YEAR OPENED: 1853 # OF ACRES: ☐ SINGLE STORY ☐ MULTI-STORY ☒ OTHER: Both MILES TO SHOPPING CTR: 0.2
 MILES TO HOSPITAL: 2.0

NUMBER OF UNITS:	RESIDENTIAL LIVING	HEALTH CARE
	APARTMENTS — STUDIO: <u>49</u>	ASSISTED LIVING: <u>17</u>
	APARTMENTS — 1 BDRM: <u>18</u>	SKILLED NURSING: <u>32</u>
	APARTMENTS — 2 BDRM: <u> </u>	SPECIAL CARE: <u> </u>
	COTTAGES/HOUSES: <u>1</u>	DESCRIBE SPECIAL CARE: <u> </u>
	RLU OCCUPANCY (%) AT YEAR END: <u>83.62%</u>	

TYPE OF OWNERSHIP: ☒ NOT-FOR-PROFIT ☐ FOR-PROFIT ACCREDITED?: ☐ YES ☐ NO BY:

FORM OF CONTRACT: ☒ CONTINUING CARE ☒ LIFE CARE ☐ ENTRANCE FEE ☐ FEE FOR SERVICE
 (Check all that apply) ☐ ASSIGNMENT OF ASSETS ☐ EQUITY ☐ MEMBERSHIP ☐ RENTAL

REFUND PROVISIONS: (Check all that apply) ☐ 90% ☐ 75% ☐ 50% ☒ PRORATED TO 0% ☐ OTHER:

RANGE OF ENTRANCE FEES: \$ 0 TO \$ 250,000 LONG-TERM CARE INSURANCE REQUIRED? ☐ YES ☒ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Yes

ENTRY REQUIREMENTS: MIN. AGE: 65 PRIOR PROFESSION: N/A OTHER: N/A

RESIDENT REPRESENTATIVE ON THE BOARD (briefly describe their involvement):

FACILITY SERVICES AND AMENITIES					
COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (<u>4</u> TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input type="checkbox"/>	<input type="checkbox"/>	MEALS (<u>3</u> /DAY)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SPA	<input type="checkbox"/>	<input type="checkbox"/>	NURSING/WEALTH CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input type="checkbox"/>	<input type="checkbox"/>	OTHER <u> </u>	<input type="checkbox"/>	<input type="checkbox"/>
OTHER <u> </u>	<input type="checkbox"/>	<input type="checkbox"/>			

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: San Francisco Ladies' Protection & Relief Society

<u>CCRCs</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>
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The Heritage or Heritage on the Marina	San Francisco, CA	(415) 202-0300
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MULTI-LEVEL RETIREMENT COMMUNITIES

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.

PROVIDER NAME: San Francisco Ladies' Protection & Relief Society

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	4,289,443	4,953,801	5,001,300	4,818,055
LESS OPERATING EXPENSES (excluding depreciation, amortization, and interest)	7,994,842	8,108,360	8,752,977	9,388,677
NET INCOME FROM OPERATIONS	(3,705,399)	(3,154,559)	(3,751,677)	(4,570,622)
LESS INTEREST EXPENSE				
PLUS CONTRIBUTIONS	96,850	245,384	61,990	49,149
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	6,085,459	(1,892,206)	7,303,467	14,073,703
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	2,476,910	(4,801,381)	3,613,780	9,552,230
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	1,111,000	1,330,000	719,762	375,000

DESCRIPTION OF SECURED DEBT (AS OF MOST RECENT FISCAL YEAR END)

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD

FINANCIAL RATIOS

(see next page for ratio formulas)

2012 CCAC Medians
50th Percentile
(optional)

		2011	2012	2013
DEBT TO ASSET RATIO		N/A	N/A	N/A
OPERATING RATIO		1.64	1.75	1.95
DEBT SERVICE COVERAGE RATIO		N/A	N/A	N/A
DAYS CASH-ON-HAND RATIO		2,862	2,781	2,923

HISTORICAL MONTHLY SERVICE FEES

(AVERAGE FEE AND PERCENT CHANGE)

	2010	%	2011	%	2012	%	2013
STUDIO	2,555	4.0	2,656	4.0	2,744	6.0	2,911
ONE BEDROOM	4,639	2-4.0	4,549	2-4.0	4,634	2.6	4,755
TWO BEDROOM	N/A		N/A		N/A		N/A
COTTAGE/HOUSE	5,421	4.0	5,625	4.0	5,850	4.0	6,083
ASSISTED LIVING	2,568	4.0	2,656	4.0	2,744	6.0	2,911
SKILLED NURSING	2,568	4.0	2,656	4.0	2,744	6.0	2,911
SPECIAL CARE	N/A		N/A		N/A		N/A

COMMENTS FROM PROVIDER:

The average fee for studios is 6% higher than previous year, although the mid-year increase for existing residents was 4%. The overall year to year change is higher because new residents paid higher fees, resulting in a higher average per unit fee.

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

OPERATING RATIO

$$\frac{\begin{array}{l} \text{Total Operating Expenses} \\ - \text{Depreciation Expense} \\ - \text{Amortization Expense} \end{array}}{\begin{array}{l} \text{Total Operating Revenues} \\ - \text{Amortization of Deferred Revenue} \end{array}}$$

DEBT SERVICE COVERAGE RATIO

$$\frac{\begin{array}{l} \text{Total Excess of Revenues over Expenses} \\ + \text{Interest, Depreciation,} \\ \text{and Amortization Expenses} \\ - \text{Amortization of Deferred Revenue} \\ + \text{Net Proceeds from Entrance Fees} \end{array}}{\text{Annual Debt Service}}$$

DAYS CASH ON HAND RATIO

$$\frac{\begin{array}{l} \text{Unrestricted Current Cash \& Investments} \\ + \text{Unrestricted Non-Current Cash \& Investments} \end{array}}{(\text{Operating Expenses} \\ - \text{Depreciation} - \text{Amortization})/365}$$

NOTE: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$382 - \$4,331 Per resident</u>	<u>\$382-\$3,525 Per Resident</u>	<u>\$382 - \$2,897 Per Resident</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>4%</u>	<u>4%</u>	<u>4%</u>

- ☐ Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

[3] Indicate the date the fee increase was implemented: July 1, 2013
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

- ☒ Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- ☒ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
- ☒ At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.
- ☒ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- ☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
- ☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

PROVIDER: San Francisco Ladies' Protection and Relief Society
COMMUNITY: The Heritage or Heritage on the Marina

San Francisco Ladies' Protection and Relief Society

FORM 7-1 ADJUSTMENTS IN MONTHLY CARE FEES

Year ended December 31, 2013

Adjustments to monthly fees

The Society life care contracts do not specify a rate or dollar amount that monthly fees may be raised on an annual basis. The contract allows for adjustments periodically as deemed necessary based on financial indicators. The Board of Directors is responsible for reviewing financial indicators and recommending increases. Increases are determined on a case by case basis within the parameters set by the Board based on individual resident's factors. In some past years, there was no increase in fees. The average increase in the current year was approximately 4%.

The monthly care revenues are from health center monthly fees and regular resident monthly fees. The total for the year ended December 31, 2013 was \$3,009,336.

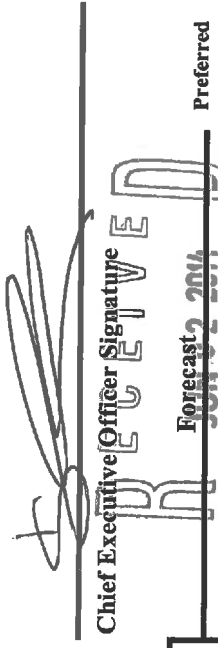
Residents move between independent living, assisted living, and skilled nursing. The Society does not track fees by facility, but rather in the aggregate.

KEY INDICATORS REPORT

Date Prepared: 5/28/2014

San Francisco Ladies Protection & Relief Society

Please attach an explanatory memo that summarizes significant trends or variances in the key operational indicators.



Chief Executive Officer Signature

	Forecast						Preferred Trend Indicator
	2009	2010	2011	2012	2013	2014	
OPERATIONAL STATISTICS							
1. Average Annual Occupancy by Site (%)	83.10%	82.40%	86.60%	92.86%	83.60%	92.70%	N/A
MARGIN (PROFITABILITY) INDICATORS							
2. Net Operating Margin (%)	-87.77%	-88.80%	-49.96%	-57.35%	-60.00%	-35.00%	↓
3. Net Operating Margin - Adjusted (%)	-61.67%	-47.41%	-21.46%	-40.14%	-50.90%	-2.30%	↑
LIQUIDITY INDICATORS							
4. Unrestricted Cash and Investments (\$000)	\$64,952	\$67,936	\$63,569	\$66,688	\$75,223	\$77,027	↑
5. Days Cash on Hand (Unrestricted)	3469	3469	2862	2781	3232	3022	↓
CAPITAL STRUCTURE INDICATORS							
6. Deferred Revenue from Entrance Fees (\$000)	\$2,925	\$3,321	\$3,938	\$3,995	\$3,476	\$5,262	N/A
7. Net Annual E/F proceeds (\$000)	\$614	\$1,111	\$1,330	\$720	\$375	\$2,499	N/A
8. Unrestricted Net Assets (\$000)	\$67,124	\$69,793	\$65,334	\$69,243	\$79,710	\$79,338	N/A
9. Annual Capital Asset Expenditure (\$000)	\$566	\$692	\$824	\$925	\$2,577	\$750	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	N/A	N/A	N/A	N/A	N/A	N/A	↑
11. Annual Debt Service Coverage (x)	N/A	N/A	N/A	N/A	N/A	N/A	↑
12. Annual Debt Service/Revenue (%)	N/A	N/A	N/A	N/A	N/A	N/A	↓
13. Average Annual Effective Interest Rate (%)	N/A	N/A	N/A	N/A	N/A	N/A	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	N/A	N/A	N/A	N/A	N/A	N/A	↑
15. Average Age of Facility (years)	20.2	20.11	17.78	16.13	15.44	15.71	↓

Forecast
2015 2016 2017 2018

CONTINUING CARE CONTRACTS BRANCH

92.70% 92.70% 93.50% 93.50%

-36.10% -35.00% -35.70% -37.20%

-28.00% -27.30% -28.30% -29.90%

\$78,973 \$81,035 \$83,221 \$85,539

2997 2973 2928 2887

\$5,067 \$4,872 \$4,677 \$4,482

\$505 \$505 \$505 \$505

\$81,342 \$83,466 \$85,718 \$88,105

\$1,000 \$1,000 \$1,000 \$1,000

N/A N/A N/A N/A

N/A N/A N/A N/A

N/A N/A N/A N/A

N/A N/A N/A N/A

N/A N/A N/A N/A

15.07 15.02 15.05 15.14